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FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/07

SPONSOR Altamirano LAST UPDATED _____ HB _____

SHORT TITLE Home Heating Relief Fund Distribution SB 325

ANALYST Francis

Relates to Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
(\$2,050.0)	(\$22,000.0)	(\$20,500.0)	Recurring	General Fund
\$2,050.0	\$22,000.0	\$20,500.0	Recurring	Gasoline and Home Heating Relief Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SJM3, HB372, SB323, HB121
 Duplicates HB593

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department
 Human Services Department

Responses Received From

Taxation and Revenue Department (TRD)
 Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate bill 325 changes amends Section 6-4-25 NMSA 1978 to allow the gasoline and home heating relief fund to receive distributions from tax revenues. SB325 redistributes the two thirds of natural gas processors tax revenue to the fund. The distribution to the fund is appropriated to Human Services Department (HSD) for the low income home energy assistance program (LIHEAP).

There is no effective date so it is assumed that the effective date is June 15, 2007.

FISCAL IMPLICATIONS

Under current law, all distributions of the natural gas processor tax goes to the general fund. In FY08, the consensus revenue estimate for this tax is \$33 million. SB325 redistributes two-thirds of that amount, or \$22 million, to the home heating and relief fund which is also a reduction in general fund revenue. In FY09, due to falling natural gas prices, the amount of revenue generated is expected to be \$30.8 million making the distribution to the home heating relief fund \$20.5 million.

Since there is no effective date, there is estimated to be a one-month impact in FY07 of \$2.05 million distributed to the gasoline and home heating relief fund.

The natural gas processors tax is based on the value of natural gas processed which means that this is a volatile revenue source for continuing appropriations. In the near term, it appears to be sufficient revenue to cover the needs of LIHEAP but the total revenue has been as low as \$11.5 million which would mean only \$7.7 million for LIHEAP. However, when prices are low, there may be less need for home energy assistance but the prices paid in NM are not always correlated with the prices received by NM production.

Continuing Appropriations language

This bill provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for inactive funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

In the 2005 special session, \$25 million was appropriated to Human Services Division (HSD) to administer LIHEAP. The session also created the Gasoline and Home Heating Relief Fund as a vehicle for contributions, appropriations and gifts but the fund has never had a non-zero balance. The original intent of the fund was a place where oil and natural gas companies could donate a portion of their windfall profits but this never occurred and there was never an appropriation made to the fund. SB325 will allow this fund to receive distributions from the natural gas processors tax. The fund can be appropriated from for three reasons: to provide gasoline price rebates to New Mexico taxpayers, to provide economic relief for rapidly increasing home heating costs and for LIHEAP. SB325 clearly appropriates the revenues to the fund for LIHEAP.

HSD:

LIHEAP is a grant from US Department of Health and Human Services (HHS) that helps NM low-income families meet the costs of home heating and cooling one time per year and increase energy self-sufficiency and reduce vulnerability resulting from energy needs. HB 121 adds general fund to supplement the federal funds available for this purpose.

Two important features of the LIHEAP program are that HSD will capture 10 percent of the appropriation for administration and 15 percent of the appropriation will be expended for weatherization.

HSD:

According to 2006 Fisher, Sheehan & Colton publications, the Home Energy Affordability Gap for low income households is \$600. Although only 71,794 NM households received LIHEAP in FFY 2006, there are approximately 180,530 households that meet the LIHEAP income eligibility limit of 150% of Poverty (2000 Decennial Census 2/2005). Using the Home Energy Affordability Gap of \$600, the total approximate energy need for 180,530 households is \$108,318,000. Receiving an undetermined amount in general funds would help to reduce the un-met need.

[Gasoline and home heating relief fund] monies for this purpose may be credited toward the Temporary Assistance for Needy Families (TANF) Maintenance of effort (MOE) when used to serve low-income households with dependent children. Over \$5 million in Temporary Assistance for Needy Families (TANF) Maintenance of Effort (MOE) was claimed in FFY 2206 using LIHEAP GF from the 2005 fall special session.

Using any state appropriation, HSD would request additional federal leverage funds. HSD currently uses the PNM Good Neighbor Fund to leverage additional Federal funds. In FFY 2006 HSD received over \$15 thousand. In FFY 2007 HSD expects to use more of the GF from the 2005 fall special session.

HSD has provided a table of the payments shown below. This proposal would fit under the \$23 million column and depending on the level of “point value option” HSD could serve 55 thousand to over 200 thousand households. At the FY06 level of benefit of \$65 per point, the program would serve 68,402 households in FY08. A point value is based on the available funding and a household’s points are determined by income and family size.

LIHEAP Projections			2	4	6	8	10	15	23	
			\$2 M State Funds	\$4 M State Funds	\$6 M State Funds	\$8 M State Funds	\$10 M State Funds	\$15 M State Funds	\$23 M State Funds	
Projected Federal Grant			\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	
Add Allowable Carry Forward 10%			\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	
Deduct for Allowable Admin Costs 10%			\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	
Deduct for Weatherization at 15%			\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	
Add State Funds			\$ 2,000,000	\$ 4,000,000	\$ 6,000,000	\$ 8,000,000	\$ 10,000,000	\$ 15,000,000	\$ 23,000,000	
Deduct for State Admin Costs 10%			\$ 200,000	\$ 400,000	\$ 600,000	\$ 800,000	\$ 1,000,000	\$ 1,500,000	\$ 2,300,000	
Balance Available for Benefits			\$ 9,999,642	\$ 11,799,642	\$ 13,599,642	\$ 15,399,642	\$ 17,199,642	\$ 21,699,642	\$ 28,899,642	
Point Value Options	Benefit Range 2 - 12 Points	Avg Benefit @ 6.5 points	Potential Households That Could Be Served							
			▼	▼	▼	▼	▼	▼	▼	
A	\$ 80	\$160 - \$960	\$ 520.00	19,230	22,692	26,153	29,615	33,076	41,730	55,576
B	\$ 75	\$150 - \$900	\$ 487.50	20,512	24,204	27,897	31,589	35,281	44,512	59,281
C	\$ 70	\$140 - \$840	\$ 455.00	21,977	25,933	29,889	33,845	37,801	47,692	63,516
D	\$ 65	\$130 - \$780	\$ 422.50	23,668	27,928	32,189	36,449	40,709	51,360	68,402
E	\$ 60	\$120 - \$720	\$ 390.00	25,640	30,255	34,871	39,486	44,102	55,640	74,102
F	\$ 55	\$110 - \$660	\$ 357.50	27,971	33,006	38,041	43,076	48,111	60,698	80,838
G	\$ 50	\$100 - \$600	\$ 325.00	30,768	36,307	41,845	47,384	52,922	66,768	88,922
H	\$ 45	\$90 - \$540	\$ 292.50	34,187	40,341	46,495	52,648	58,802	74,187	98,802
I	\$ 40	\$80 - \$480	\$ 260.00	38,460	45,383	52,306	59,229	66,152	83,460	111,152
J	\$ 35	\$70 - \$420	\$ 227.50	43,954	51,867	59,779	67,691	75,603	95,383	127,031
K	\$ 30	\$60 - \$360	\$ 195.00	51,280	60,511	69,742	78,973	88,203	111,280	148,203
L	\$ 25	\$50 - \$300	\$ 162.50	61,536	72,613	83,690	94,767	105,844	133,536	177,844
M	\$ 24	\$48 - \$288	\$ 156.00	64,100	75,639	87,177	98,716	110,254	139,100	185,254
N	\$ 23	\$46 - \$276	\$ 149.50	66,887	78,927	90,968	103,008	115,048	145,148	193,309
O	\$ 22	\$44 - \$264	\$ 143.00	69,928	82,515	95,102	107,690	120,277	151,746	202,095
P	\$ 21	\$42 - \$252	\$ 136.50	73,257	86,444	99,631	112,818	126,005	158,972	211,719
Q	\$ 20	\$40 - \$240	\$ 130.00	76,920	90,766	104,613	118,459	132,305	166,920	222,305
R	\$ 19	\$38 - \$228	\$ 123.50	80,969	95,544	110,119	124,693	139,268	175,706	234,005

ADMINISTRATIVE IMPLICATIONS

TRD reports that there will be only minor changes needed. HSD reports that they will need 10 percent of the appropriation to administer the program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The Legislative Finance Committee recommendation for the general appropriation act included a \$4 million appropriation to HSD (\$2 million in the base budget and \$2 million as a special appropriation) for LIHEAP and the Executive recommended \$1 million in HSD's budget.

House bill 372 and Senate bill 323 appropriate \$9 million to HSD for LIHEAP to the gasoline and home heating relief fund, a fund already established for distribution of heating assistance.

Senate Joint Memorial 3 calls on the Federal government to maintain and increase funding for LIHEAP.

House bill 539 is a duplicate.

OTHER SUBSTANTIVE ISSUES

HSD reports that some of the LIHEAP payments are made directly to recipients and may be considered income for the purposes of other social assistance programs, particularly the food stamp program.

ALTERNATIVES

A direct appropriation to HSD or to the gasoline and home heating relief fund is an option that would maintain legislative authority over appropriations.

POSSIBLE QUESTIONS

Is this the best way to provide funds for LIHEAP?

Is this a sufficient source of revenue that future appropriations will be unnecessary?

NF/nt